

Capital Security Cost-Sharing Program For U. S. Government Agencies Overseas



U.S. Embassy - Kampala, Uganda

*Overseas Buildings Operations
U. S. Department of State*



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The Capital Security Cost-Sharing Program

This presentation covers --

- A. The need for new facilities
- B. The Cost-Sharing Program's function & origin
- C. Cost-Sharing principles & components
- D. Calculating cost-sharing charges
- E. Charges for FY05, FY06, and FY07
- F. Agency participation in facilities planning
- G. Summary and contacts



The Need for New Facilities: Secure, Safe, Functional Workplaces

- Over 70,000 U.S. Government employees from 28 Departments and independent agencies (“agencies”) work under Chief of Mission authority at 275 embassies, consulates, and other posts.
- Most embassy and consulate facilities do not meet current security standards that would protect employees in case of attack.
- Most embassy and consulate facilities are overcrowded, antiquated, and do not meet current safety or functional standards.



The NEC Building Program

- The President and Congress approved a program in FY2005 to construct secure, safe, functional new embassy and consulate compounds (“NECs”):
 - \$17.5 billion of capital construction
 - replacement of 150 NECs to meet security needs
 - funding over 14 years (FY05 - FY18)
- The Capital Security Cost-Sharing (“CSCS”) Program funds the NEC construction program by contributions from all agencies, including the State Department and ICASS, in proportion to their overseas presence.
- After a 5-year phase-in, the CSCS Program will provide annual funding of \$1.4 billion. These funds are used exclusively for NEC construction - not for renovation, maintenance, or other security enhancement projects.



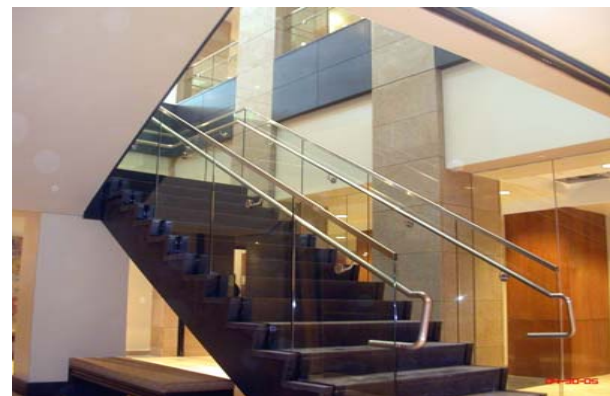
Concept: 21st Century NECs



- Chancery building
- General Services building
- Marine Security Guard Quarters
- Utility systems & parking
- Recreation center
- Perimeter Security System
 - Compound Access Control (CAC) system
 - Personnel Access Control (PAC) system
 - Nine foot anti-climb/anti-ram wall with lights
 - Surveillance equipment



Realization: Yerevan, Armenia NEC



A.4





The Impetus for Cost-Sharing

- The 1999 Overseas Presence Advisory Panel (OPAP) Report stresses universal right-sizing & all agencies sharing the capital costs for new facilities.
- The Secure Embassy Construction & Counterterrorism Act of 1999 mandates collocation of staff under COM authority in NECs.
- The 2002 President's Management Agenda (p.62-63) calls for
 - establishing mechanisms to link agency policies on overseas presence.
 - integrating right-sizing into workforce plans.
 - linking personnel assignment to construction planning.

B.1



Legal Authority for the Cost-Sharing Program

(e) CAPITAL SECURITY COST SHARING.—

- (1) AUTHORITY.—**Notwithstanding any other provision of law, all agencies with personnel overseas subject to chief of mission authority . . . shall participate and provide funding in advance for their share of costs of providing new, safe, secure United States diplomatic facilities, without offsets, on the basis of the total overseas presence of each agency as determined annually by the Secretary of State in consultation with such agency. Amounts advanced by such agencies to the Department of State shall be credited to the Embassy Security, Construction and Maintenance account, and remain available until expended.
- (2) IMPLEMENTATION.—**Implementation of this subsection shall be carried out in a manner that encourages right-sizing of each agency's overseas presence.
- (3) EXCLUSION.—**For purposes of this subsection 'agency' does not include the Marine Security Guard.

Section 604 of the Secure Embassy Construction and Counterterrorism Act of 1999, added by the FY2005 Consolidated Appropriations Act, Division B, P.L. 108-447, December 8, 2004

B.2





The Cost-Sharing Law in English

- All agencies with personnel overseas subject to Chief of Mission authority shall provide funding in advance for their share of the cost of providing new, safe, secure diplomatic facilities
 - on the basis of the total overseas presence of each agency.
 - as determined annually by the Secretary of State in consultation with such agency.
- Implementation shall be carried out in a manner that encourages right-sizing of each agency's overseas presence.
- New diplomatic facilities may not include space for any agency that has not provided the full amount of its funding share as required by this program.

B.3





CSCS Program Principles

- Each agency contributes a fair share to fund an accelerated construction program for secure, safe, functional workspace.
- The CSCS Program provides a steady and predictable source of capital for NEC construction.
- The Program operates at the HQ level with minimal staff. Posts, agency bureaus, and ICASS are not required to track or transfer funds.
- The charges are allocated per capita and worldwide; every existing and planned position under Chief Of Mission authority is counted.
- This allocation method creates a further incentive for agencies to right-size every one of their overseas positions in support of the President's Management Agenda.

C.1



Calculating the CSCS Charges Components of the Charges

1. Current Authorized Positions Charge
2. NEC Projected Staff Charge
3. ICASS Pass-through Charge
4. Rent Credit

D.1





Calculating the CSCS Charges

1. Current Overseas Positions Charge

- This charge is *per capita*, worldwide, in different amounts for four different types of positions (see next slide).
- Every authorized cost-sharing position that will have space in an NEC is counted, whatever its current location or employment status: direct-hire Americans, Locally Employed Staff (LES), contractors, and continuing part-time and temporary duty (TDY) positions.
- CSCS position data is collected by surveying all posts. Each agency HQ is consulted in detail for verification.
- Peace Corps staff, Marine Security Guards, and positions permanently stationed in host government facilities or in research or technical facilities are not charged.

D.2



Calculating the CSCS Charges

Types of Overseas Positions

- The CSCS charges vary for the four different types of positions:
 - Chief of Mission (COM) - pays more because the COM occupies more CAA space than other offices. The COM is almost always a State Department position.
 - Controlled Access Area (CAA) - pays more than a non-CAA office position because the space is significantly more expensive to build.
 - Non-CAA office - the “standard” office position.
 - Non-office – uses less space per position and is therefore charged less than non-CAA office positions.

D.3





FY07 Overseas Positions By Agency

(FY05 current, chargeable positions, used to calculate FY07 charges)

AGENCY	COM	CAA	NON-CAA	NON-OFFICE	TOTAL	%
Agriculture Department		0	587	13	600	0.84%
American Battle Monuments Commission		0	42	0	42	0.06%
Broadcast Board Of Governors		0	33	0	33	0.05%
Commerce Department		0	1,178	51	1,229	1.72%
Defense Department	1,807		2,563	349	4,719	6.59%
Energy Department		1	32	0	33	0.05%
Environmental Protection Agency		0	6	0	6	0.01%
Export-Import Bank		0	0	0	0	0.00%
Foreign Broadcast Information Service		3	251	0	254	0.35%
General Services Administration		0	9	0	9	0.01%
Health & Human Services		3	260	53	316	0.44%
Homeland Security	171		690	13	874	1.22%
ICASS	238		12,238	12,716	25,192	35.16%
Interior Department		0	3	0	3	0.00%
Justice Department	917		282	47	1,246	1.74%
Library Of Congress		0	260	14	274	0.38%
NASA		0	12	0	12	0.02%
National Science Foundation		0	5	0	5	0.01%
Nuclear Regulatory Commission		0	1	0	1	0.00%
Overseas Private Investment Corporation		0	2	0	2	0.00%
Social Security Administration		0	1	0	1	0.00%
State Department	251	6,259	14,558	8,867	29,935	41.78%
Transportation Department		0	86	0	86	0.12%
Treasury Department		13	83	3	99	0.14%
US Trade & Development Agency		0	5	0	5	0.01%
US Trade Representative		0	27	2	29	0.04%
USAID		4	5,598	899	6,501	9.07%
<u>Veterans Affairs Department</u>		<u>0</u>	<u>139</u>	<u>0</u>	<u>139</u>	<u>0.19%</u>
TOTAL POSITIONS	251	9,416	38,951	23,027	71,645	100%



Calculating the CSCS Charges

Deriving Per Capita Charges from NEC Costs

<u>Total needed</u>	<u>Construction cost by type*</u>	<u>\$ assigned to this type</u>	<u># of Positions**</u>	<u>FY05 - 07 Charge per Capita</u>
\$1.4 billion	3.8% - COM	\$ 52,467,451	251	\$ 209,034
	33.2% - CAA	\$ 465,052,406	7,840	\$ 59,318
	56.2% - Non-CAA	\$ 786,814,277	27,957	\$ 28,144
	6.8% - Non-Office	\$ 95,665,866	19,366	\$ 4,940
		\$ 1,400,000,000		

- To ease budget planning and encourage right-sizing, the *per capita* charges were fixed for FY05-07.
- New *per capita* charges will be fixed for FY08-10 to reflect changes in total staffing and construction costs. The new charges will still generate \$1.4 billion per year.

* Based on analysis of recent typical NEC construction costs

** 2002 survey data

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Calculating the CSCS Charges

2. NEC Projected Staff Growth Charge

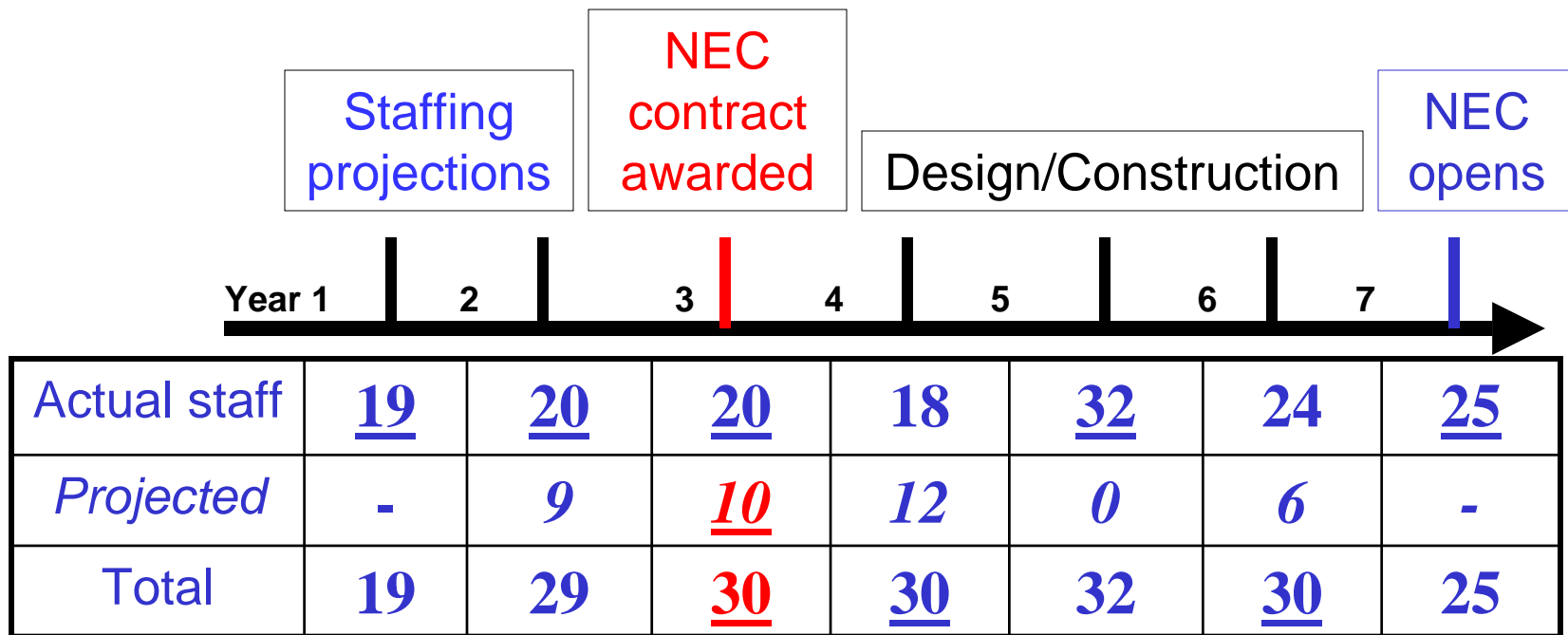
- Where an NEC contract has been awarded, the CSCS charges are applied to projected total staffing - both current and planned (unless current staff already exceeds an agency's projection). This staffing was used to fix the construction budget, so the charges are based on it.
- This method of calculating charge applies to an NEC beginning the first fiscal year after the construction contract is awarded and ends when the NEC opens.
- In 2003, GAO reported that NEC staffing was not being projected in a disciplined, realistic manner. In response, State adopted new procedures for projecting and right-sizing staffing, including clearance by all agencies' HQs. The staff growth charge encourages realistic projections when NEC budgets are developed, avoiding wrong-sized NECs.

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NEC Staff Growth Charge

Example: Agency A at NEC Post X



- OBO budgets and will build space for 30 positions for Agency A, even if its staffing or staffing plans change after year 3.
- During the construction period, CSCS applies charges to those 30 positions (or actual positions if larger) (underlined in the chart above).
- After the NEC opens, charges are again based on actual positions at Post.



Calculating the CSCS Charges

3. ICASS Pass-Through Charge

- Many overseas positions under COM authority are funded through ICASS to provide administrative support to personnel from all agencies.
- The CSCS Program treats ICASS as a separate agency so it will have the same incentive as other agencies to rightsize its operations.
- ICASS has no independent funding; all of its costs are passed through to its member agencies.
- The ICASS Council has decided to treat its CSCS charges as an overhead cost to be passed through to agencies on the basis of their total use of ICASS services.

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ICASS Pass-Through Charges

[ICASS allocates its CSCS charges in proportion to ICASS services used]

AGENCY	FY05 ICASS SERVICE CHARGES (\$000)	% OF TOTAL ICASS SERVICES USED	FY07 ICASS CSCS CHARGES (\$000)
State Department	\$879,804,248	73.75%	\$ 184,180,385
Defense Department	\$118,108,077	9.90%	\$ 24,725,035
USAID	\$ 51,289,908	4.30%	\$ 10,737,155
Justice Department	\$ 35,311,230	2.96%	\$ 7,392,140
Commerce Department	\$ 25,377,746	2.13%	\$ 5,312,640
Homeland Security	\$ 24,229,321	2.03%	\$ 5,072,226
Agriculture Department	\$ 15,423,075	1.29%	\$ 3,228,704
Health and Human Services	\$ 14,835,654	1.24%	\$ 3,105,732
Peace Corps	\$ -	0.52%	\$ 1,249,702
Broadcast Board of Governors	\$ 3,845,937	0.32%	\$ 805,118
Treasury Department	\$ 3,559,001	0.30%	\$ 745,050
Transportation Department	\$ 2,776,760	0.23%	\$ 581,294
Foreign Broadcast Information Service	\$ 2,603,046	0.22%	\$ 544,928
Social Security Administration	\$ 2,291,543	0.19%	\$ 479,717
US Trade Representative	\$ 1,478,100	0.12%	\$ 309,429
Library of Congress	\$ 1,409,553	0.12%	\$ 295,079
Energy Department	\$ 1,148,887	0.10%	\$ 240,511
NASA	\$ 841,103	0.07%	\$ 176,079
American Battle Monuments Commission	\$ 832,356	0.07%	\$ 174,247
Veteran Affairs Department	\$ 608,850	0.05%	\$ 127,458
Environmental Protection Agency	\$ 316,779	0.03%	\$ 66,315
Department of the Interior	\$ 247,077	0.02%	\$ 51,724
National Science Foundation	\$ 170,943	0.01%	\$ 35,786
US Trade & Development Agency	\$ 123,238	0.01%	\$ 25,799
Nuclear Regulatory Commission	\$ 121,990	0.01%	\$ 25,538
General Services Administration	\$ 77,705	0.01%	\$ 16,267
Overseas Private Investment Corporation	\$ 36,981	0.00%	\$ 7,742
Total CSCS Charges to Pass-Through			\$ 249,711,800

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Calculating the CSCS Charges

4. Rent Credit

- Many embassies and consulates are inadequate to accommodate all agencies' staffs. That gap is often filled with short-term leases of non-CAA space. The rent is allocated to the user agencies through ICASS.
- The CSCS Program gives agencies a rent credit to compensate for the "double payment" that would occur if agencies paid rent for existing space and also paid for new space under the CSCS Program.
- State, ICASS, and the agencies have generated data on each agency's current rent. These amounts are credited against each agency's CSCS charges.



Five Year CSCS Phase-In

Projected CSCS and other funds for NEC construction
[estimated amounts for FY 08 - 09]

	FY 04 (0%)	FY 05 (20%)	FY 06 (40%)	FY 07 (60%)	FY 08 (80%)	FY 09 (100%)
(1) Total DOS	761,400	785,320	810,240	835,160	887,280	920,000
(2) → DOS Capital	641,400	625,134	416,624	161,004	151,280	-
(3) → DOS CSCS	120,000	160,186	393,616	674,156	736,000	920,000
(4) Others' CSCS	<u>0</u>	<u>88,916</u>	<u>199,905</u>	<u>363,967</u>	<u>384,000</u>	<u>480,000</u>
(1+4) NEC Funds	761,400	874,236	1,010,145	1,199,127	1,271,280	1,400,000
(3+4) CSCS Funds	120,000	249,102	593,521	1,038,123	1,120,200	1,400,000

- Straight-line phase-in (20%, 40%, 60%, 80%, 100%) allows incremental budget adjustments and a smooth construction ramp-up.
- After phase-in, State Department still pays for about 66% of the NEC construction, all through CSCS.

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FY05 CSCS Charges By Agency (actual)

AGENCY	Current	NEC	ICASS	Rent Credit	Total
Agriculture Department	2,825,277	149,318	929,027	(3,388,053)	515,569
American Battle Monuments Commission	-	-	-	-	-
Broadcast Board Of Governors	11,258	-	291,727	-	302,985
Commerce Department	5,784,189	225,459	1,933,889	(4,848,331)	3,095,206
Defense Department	25,995,103	867,758	7,196,690	-	34,059,551
Defense Security Cooperation Agency	2,960,840	-	1,190,047	(642,096)	3,508,791
Energy Department	164,453	-	84,295	-	248,748
Environmental Protection Agency	16,887	-	19,869	-	36,756
Export-Import Bank	5,629	-	2,707	-	8,336
Foreign Broadcast Information Service	587,309	-	181,120	-	768,429
General Services Administration	28,145	5,629	1,010	-	34,784
Health & Human Services	883,223	-	767,836	(678,135)	972,924
Homeland Security	4,887,017	584,492	2,143,147	-	7,614,656
Interior Department	33,774	-	28,428	(23,917)	38,285
Justice Department	11,513,426	437,914	2,497,778	-	14,449,118
Library Of Congress	1,095,289	-	104,849	-	1,200,138
NASA	174,499	-	70,263	-	244,762
National Science Foundation	33,774	-	14,054	-	47,828
Nuclear Regulatory Commission	5,629	-	7,716	(42,331)	-
Overseas Private Investment Corporation	11,864	-	4,178	-	16,042
Peace Corps	-	-	-	-	-
Social Security Administration	135,096	-	151,981	-	287,077
State Department	140,324,882	2,671,432	60,317,021	(43,127,035)	160,186,300
Transportation Department	529,126	-	231,400	(603,200)	157,326
Treasury Department	504,583	150,978	249,199	-	904,760
US Trade & Development Agency	11,864	-	11,234	-	23,098
US Trade Representative	119,197	-	93,957	-	213,154
USAID	31,023,408	709,553	3,788,378	(15,813,570)	19,708,757
Veterans Affairs Department	401,843	-	56,639	-	458,482
TOTAL FY05	230,067,584	5,802,533	82,368,439	(69,166,668)	249,101,862

Total for agencies other than State Department

88,915,562



FY06 CSCS Charges By Agency (actual)

AGENCY	Current	NEC	ICASS	Rent Credit	Total
Agriculture Department	\$5,650,554	\$641,539	\$2,013,584	(\$4,391,002)	\$3,914,675
American Battle Monuments Commission	472,836	-	72,462	(2,621)	542,677
Broadcast Board Of Governors	22,516	103,298	464,089	(14,787)	575,116
Commerce Department	11,405,602	833,690	3,357,036	(5,026,379)	10,569,949
Defense Department	51,983,729	4,764,685	13,278,235	(1,711,064)	68,315,585
Defense Security Cooperation Agency	5,897,867	136,905	2,075,487	(385,300)	7,724,959
Energy Department	327,693	-	146,554	(254,772)	219,475
Environmental Protection Agency	33,774	-	41,855	(176,627)	-
Export-Import Bank	-	-	5,926	-	5,926
Foreign Broadcast Information Service	1,174,617	300,612	319,317	(6,180)	1,788,366
General Services Administration	56,290	11,258	1,549	-	69,097
Health & Human Services	1,624,974	1,130,614	1,551,902	(770,567)	3,536,923
Homeland Security	9,773,892	1,803,803	3,007,884	(940,018)	13,645,561
Interior Department	33,774	-	29,090	(25,080)	37,784
Justice Department	23,062,012	2,702,115	4,421,895	(2,247,950)	27,938,072
Library Of Congress	2,190,578	22,516	191,180	(3,665)	2,400,609
NASA	192,597	-	100,439	(1,181)	291,855
National Science Foundation	56,290	-	23,516	(52)	79,754
Nuclear Regulatory Commission	11,258	-	16,070	(55,753)	-
Overseas Private Investment Corporation	-	-	-	-	-
Peace Corps	-	-	775,506	-	775,506
Social Security Administration	270,192	-	293,767	(8,091)	555,868
State Department	288,416,805	18,325,626	109,396,527	(22,522,637)	393,616,321
Transportation Department	1,058,252	56,290	342,507	(692,836)	764,213
Treasury Department	1,082,026	224,674	446,191	(264,279)	1,488,612
US Trade & Development Agency	34,985	-	17,867	(919)	51,933
US Trade Representative	238,394	-	187,920	-	426,314
USAID	61,764,449	2,480,218	6,519,476	(18,016,287)	52,749,831
Veterans Affairs Department	1,344,070	-	92,699	(382)	1,436,387
TOTAL FY06	\$468,180,026	\$33,537,843	\$149,190,530	(\$57,518,429)	\$593,521,368

Total for agencies other than State Department

\$199,905,047



FY07 CSCS Charges By Agency (President's Budget)

AGENCY	Position Charge	ICASS	Rent Credit	Total
Agriculture Department	\$10,051,930	\$3,228,704	(\$4,312,621)	\$8,968,013
American Battle Monuments Commission	709,212	174,247	(3,127)	880,332
Broadcast Board Of Governors	560,202	805,118	(126,512)	1,238,808
Commerce Department	20,932,800	5,312,640	(5,567,171)	20,678,269
Defense Department	113,424,215	24,725,035	(3,255,825)	134,893,425
Energy Department	575,943	240,511	(213,301)	603,153
Environmental Protection Agency	101,316	66,315	(131,905)	35,726
Foreign Broadcast Information Service	4,345,159	544,928	(7,266)	4,882,821
General Services Administration	151,974	16,267	-	168,241
Health & Human Services	4,756,439	3,105,732	(987,158)	6,875,013
Homeland Security	20,643,375	5,072,226	(1,663,555)	24,052,046
Interior Department	50,658	51,724	(14,749)	87,633
Justice Department	39,975,493	7,392,140	(1,732,128)	45,635,505
Library Of Congress	4,448,742	295,079	(3,692)	4,740,129
NASA	202,632	176,079	(989)	377,722
National Science Foundation	84,430	35,786	(43)	120,173
Nuclear Regulatory Commission	16,886	25,538	(58,245)	-
Overseas Private Investment Corporation	33,772	7,742	(41)	41,473
Peace Corps	-	1,249,702	-	1,249,702
Social Security Administration	16,886	479,717	(7,476)	489,127
State Department	545,732,199	184,180,385	(55,756,733)	674,155,851
Transportation Department	1,502,854	581,294	(635,650)	1,448,498
Treasury Department	2,159,660	745,050	(108,442)	2,796,268
US Trade & Development Agency	84,430	25,799	(59)	110,170
US Trade Representative	461,850	309,429	-	771,279
USAID	105,653,422	10,737,155	(16,041,520)	100,349,057
Veterans Affairs Department	2,347,154	127,458	(340)	2,474,272
TOTAL FY07	\$879,023,633	\$249,711,800	(\$90,628,548)	\$1,038,122,706

Total for agencies other than State Department

\$363,966,855





Procedures for Determining Each Agency's Charges

- The Billing Process:
 - Each agency's share is initially calculated by the State Department as described.
 - Agencies verify position lists and document their rent credits.
 - Statements (draft invoices) are distributed to agencies to facilitate their own budgeting before submission to OMB.
- Challenge Procedures:
 - State Department carefully evaluates any questions about its calculations.
 - OMB participates when a dispute needs resolution.



NEC Planning: Determining Priorities Among Posts

- *Summer:* Agencies can recommend posts for addition to the *Priority List of Diplomatic Facilities for Replacement* to State's Regional Bureaus.
- *September:* Regional Bureaus consider agency input, DS vulnerability ranking, and policy needs and recommend posts to add to the *Top 80 List*.
- *February:* The Secretary approves the *Top 80 List* and forwards it to the Hill. Congress has restricted Security Capital funding to posts on this list.
- *April:* Regional Bureaus and OBO prioritize posts on the *Top 80 List* based on host government relations, site availability, etc. and place them in the Long-Range Overseas Buildings Plan (LROBP).

F.1



NEC Planning: Determining NEC Size (Staffing Projections)

- *September*: OBO briefs agencies in Washington on the staffing projection process.
- *October – March*: LROBP Posts develop 5-7 year staffing projections for all agencies, including agencies not currently at post, using Interagency Staffing Projection Committees and DOS published guidelines.
 - Posts already in the LROBP update their staffing projections.
 - Posts newly added to LROBP develop new projections using an OBO-supplied template.
 - Agencies have explicit input into post staffing projections and should consult with their HQ on future staffing plans.

F.2



NEC Planning: Determining NEC Size (Staffing Projections) (continued)

- *January – March:* Regional Bureaus review staffing projections received from Posts, taking account of right-sizing and regionalization goals.
- *February – March:* State's Rightsizing Office, in Office of the Under Secretary for Management (M/R), reviews Regional Bureaus' recommended staffing and confirms staffing conclusions with all agencies' HQs. M/R works with the Bureaus, Posts, and agency HQ to resolve differences.

F.3



Benefits of the CSCS Program

- It provides steady funding for an accelerated \$17.5 billion Capital Security Construction Program -- funding 150 secure New Embassy Compounds in 14 years, reducing the time without CSCS by 12 years.
- It causes all agencies to
 - equitably help fund overseas facilities.
 - rightsize their overseas personnel in light of the full cost of stationing personnel overseas.
- It allows Congress, agencies, and the public to see the capital cost of stationing personnel overseas.



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